

David  
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Peyton, Chandler & Sullivan, Inc.

Broker/Dealer Member NASD/SIPC

00041

January 4, 2002

Public Avail. Date: 1/30/02 0128200225

Act	Section	Rule
1934	17(a)	17a-5

Tom McGowan  
Securities and Exchange Commission  
450 5<sup>th</sup> Street  
North West Washington D.C. 20549-1001

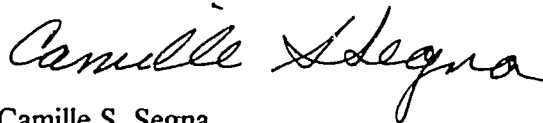
Dear Mr. McGowan:

Peyton, Chandler & Sullivan, Inc. received its Broker Dealer License in November of 2001. In the last 2 weeks of December the firm was connected to FiServ for clearing trades. The first trades for PCS, Inc. were made on December 21, 2001. By the end of the year only 23 trades had been completed and I have enclosed copies of the tickets for all of these trades with this letter.

Due to the minimal number of transactions completed in 2001 we would like to apply for a waiver of the annual audit normally required. We would, of course, include these few weeks of 2001 in our 2002 audit.

Thank you for your consideration in this matter. I can most easily be reached by phone at (916) 532-1880, by FAX at (916) 772-8118 or by mail at the address on this letterhead.

Sincerely,



Camille S. Segna  
FinOp



DIVISION OF  
MARKET REGULATION

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

00042

January 16, 2002

Ms. Camille S. Segna  
FinOp  
Peyton, Chandler & Sullivan, Inc.  
720 Sunrise Avenue, Suite 212D  
Roseville, CA 95661

Act	34
Section	17
Rule	17a-5
Public Availability	1-30-02

Re: Annual Audited Financial Statement Filing Requirements Under Rule 17a-5

Dear Ms. Segna:

We have received your letter dated January 4, 2002, in which you request on behalf of Peyton, Chandler & Sullivan, Inc. (the "Firm"), relief from the requirement that the Firm file an annual audited report of financial statements pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 (17 CFR 240.17a-5) for the fiscal year ending December 31, 2001.

I understand the following facts to be pertinent to the Firm's request. The Firm's registration as a broker-dealer with the Securities and Exchange Commission ("Commission") became effective on November 5, 2001. The Firm is required, pursuant to paragraph (d) of Rule 17a-5, to file an annual audited report of financial statements on a calendar or fiscal year basis. The report must be as of the same fixed or determinable date each year unless a change is approved by the Firm's designated examining authority. The Firm chose December 31 as its year end. Accordingly, an audited report of the Firm's financial statements must be prepared as of December 31. Because the Firm's registration with the Commission became effective on November 5, 2001, you have requested an exemption from filing annual audit reports for the year-ended December 31, 2001. The Firm clears all its trades on a fully-disclosed basis through FiServ and its clearing arrangement was not completed until late December. As of December 31, 2001 the Firm had completed only 23 securities trades.

Based on the foregoing facts, the Division of Market Regulation ("Division") will not recommend enforcement action to the Commission if the Firm does not file audited financial statements as of December 31, 2001. However, the annual report for the year ending December 31, 2002 must cover the entire period from November 5, 2001, the effective date of the Firm's registration with the Commission.


Public Reference Copy

Ms. Camille S. Segna  
January 16, 2002  
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You should understand that this letter expresses a staff position with respect to enforcement only and does not purport to state any legal conclusion on this matter. The Division's position is confined to the facts as described herein. Any material change in circumstances may warrant a different conclusion and should be brought immediately to the Division's attention.

Sincerely,



E. David Hwa  
Special Counsel

cc: Susan Demando, NASD Regulation

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